



**TWUSUPER**

Hardworking super for people in transport



# Salary sacrifice

Salary sacrifice is a great way to pay less tax and boost your super.

## Why boost your super?

For many people, the minimum 9% Superannuation Guarantee (SG) won't provide enough super to live comfortably in retirement.\*

Making additional contributions to your super now could really boost your super savings and make a substantial difference to the type of lifestyle you have once you stop working.

## What is salary sacrifice?

Salary sacrifice is an arrangement between you and your employer, whereby your employer makes additional payments from your salary into your super, before income tax is deducted.

## Benefits of salary sacrifice

Salary sacrifice contributions are taxed at just 15% when they go into your super account, which can be much lower than your normal income tax rate.

In addition, salary sacrifice reduces your gross taxable salary, which reduces the amount of income tax you pay for the year. It generally means that more money goes into your super than will come out of your take home pay.

The following table highlights the benefits of salary sacrifice.

Paid to you		Paid to your super fund	
Paid as part of your salary	\$10,000	Salary sacrificed into super	\$10,000
Less income tax @ 31.5%*	\$3,150	Less contributions tax @ 15%	\$1,500
You receive	\$6,850	Your super receives	\$8,500

\* Includes the Medicare Levy

The example above assumes you are earning between \$37,001 and \$80,000 and are subject to 31.5% income tax. If however, you earn a greater income, then your tax could be as high as 46.5% (including the Medicare Levy). If you were in this tax bracket, then \$10,000 of your pay equates to:

- > \$5,350 in your pocket, or
- > \$8,500 in your super account.

Generally the higher your income, the more tax savings can be made by sacrificing your salary into super.

\* The Association of Superannuation Funds of Australia (ASFA), 'How much will I need to save?' ASFA Super Guru website ([www.superguru.com.au](http://www.superguru.com.au)), 1 Oct 2010.

## Contribution limits

There is an annual limit on the amount of before-tax income you can pay into super at more favourable rates of taxation. The limit includes the 9% SG your employer already pays. The limit is \$25,000 for people aged 50 or under and \$50,000 for people aged over 50.

Any contributions made above those amounts will be taxed at the top income tax rate plus the Medicare Levy.

## Example

Kevin is 38 and currently earns \$42,000. His employer pays 9% SG on top of his salary, or \$3,780. So Kevin should only contribute \$21,220 to avoid excess tax.

## Is salary sacrifice right for you?

Everyone's finances are different, but if you earn more than \$35,000 a year, then you could benefit from the tax advantages of salary sacrifice.

If you earn less than \$35,000, there might be more tax effective ways to top up your super account. For example, making contributions on an after-tax basis may qualify you for a Government co-contribution. See our *Government co-contribution fact sheet* for more information.

## Financial advice is only a phone call away

If you are unsure whether salary sacrifice is right for you, we recommend you seek financial advice. As a member, you are entitled to one free consultation over the phone on a single superannuation issue with a qualified adviser.

If you have already used up your free consultation, further advice is available at an affordable rate and you can pay for it from your super account. Call **1800 222 071** and ask to speak to a financial adviser.

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## FACT SHEET – Salary sacrifice

### TAKE ACTION

#### Want to start a salary sacrifice arrangement?

Check with your employer to see if salary sacrifice is available to you and that it will not reduce your other employment entitlements, such as annual leave and long service leave, or the level of Superannuation Guarantee contributions your employer makes on your behalf.

Make sure that you have written confirmation from your employer that salary sacrifice and any other entitlements will be calculated on your before-tax income.

We have developed a helpful *Superannuation Salary Sacrifice Agreement* form to assist you in setting up a salary sacrifice arrangement with your employer. You can download the form from [www.twusuper.com.au](http://www.twusuper.com.au).

### One final thing to remember

Make sure TWUSUPER has your Tax File Number (TFN). Although it is not compulsory to provide your TFN, without it you will be charged an extra 31.5% contributions tax and lose the tax advantages of salary sacrificing into super.

### FURTHER INFORMATION

If you would like more information, call 1800 222 071 or visit [www.twusuper.com.au](http://www.twusuper.com.au)

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